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SUBJECT: KYRGYZ WELCOME TIFA DISCUSSIONS

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11. (SBU) Summary: During Deputy Assistant U.S. Trade Representative (USTR) Claudio Lilienfeld's visit to Bishkek, Kyrgyz Government officials, as well as private sector representatives, welcomed USTR's ongoing review to determine how to invigorate the U.S.-Central Asia Trade and Investment Framework Agreement (TIFA) and consider ways to enhance bilateral U.S.-Kyrgyz trade and investment. Local businesspeople lamented the low level of U.S. business interaction with the Kyrgyz Republic, and suggested that U.S. firms operating in China, Russia or other neighboring countries might be tempting prospects for U.S. investment here. The Kyrgyz Republic lacks a trade and investment promotion agency, and international experts highlighted that assistance in strengthening the application of manufacturing and sanitary/phytosanitary standards would be important to enable increased Kyrgyz exports. Kyrgyz government officials welcomed USTR's efforts to invigorate the regional TIFA, noting that the last meeting in Dushanbe failed to generate a practical protocol for future action. They also welcomed news that USTR was considering whether and how to develop a bilateral dimension to U.S.-Kyrgyz trade discussions. Kyrgyz officials are aware of plans for a high-level Washington TIFA meeting in September, and were happy to report progress in their work to simplify customs procedures through a single window approach. End Summary.

Business Community Offers Insights

12. (SBU) During an April 22 tea hosted by the Ambassador for visiting Deputy Assistant U.S. Trade Representative Claudio Lilienfeld, Bishkek-based business representatives noted the relative absence of U.S. firms active in the Kyrgyz Republic when compared to European companies and suggested holding a forum to attract U.S. firms resident in China, Russia or other neighboring areas to opportunities in the

Kyrgyz market. Niyaz Aldashev, a prominent local trade lawyer, highlighted the cheaper operating expenses for conducting business in Bishkek vis-a-vis Almaty, and lamented foreign representatives' tendency to focus on reports and press conferences rather than concrete investment promotion. Gulnara Kalikova, another prominent business lawyer, promoted the Kyrgyz legal environment, but cited the relatively small size of the Kyrgyz market as a key limiting factor for foreign investment. Coca-Cola's Ezel Agaoglu seconded Kalikova's observation that Kyrgyz authorities had not promoted investment opportunities, and suggested that the relatively high skill level of Kyrgyz workers could be an asset, including in Afghanistan.

13. (SBU) In these and other meetings, interlocutors described how the Kyrgyz Republic's business environment was a difficult one. Though in the end the Kyrgyz did not want to drive out investors, the struggles faced by foreign companies were a significant disincentive for new investment.

Lilienfeld made the point that to the extent that the U.S. was considering increasing its bilateral work, it was both a means to work with the Kyrgyz government to improve its business climate, but also created an incentive for the Kyrgyz government, as the U.S. would be less inclined to engage if the Kyrgyz government was non-responsive to its concerns.

Standardization

14. (SBU) USAID personnel, as well as representatives of the German technical assistance provider GTZ, advised Lilienfeld on the importance of making improvements in manufacturing standards and sanitary/phytosanitary (SPS) quality in the

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Kyrgyz Republic to facilitate exports, including supplies to U.S. operations in Afghanistan. As an example, USAID outlined a project that would aid Kyrgyz sugar production. GTZ representatives also promoted the benefits of possible ISO certification of Kyrgyz products to aid Kyrgyz exports. A USAID contractor complimented Kyrgyz progress in streamlining customs processing through development of a single window approach, and Kyrgyz officials touted their significant progress as well. (Note: Per USAID's trade liberalization and customs project coordinator, the Kyrgyz are furthest along in implementing the "single window" approach among the five Central Asian countries; single window has been one of the core TIFA agenda items. End Note.)

15. (SBU) When discussing regional and bilateral approaches, the GTZ representatives also agreed with Lilienfeld's expressed concern about the lack of results coming from the regional TIFA, and said that regional approaches in general (including under the rubric of the Asian Development Bank-funded Central Asia Regional Economic Cooperation initiative) have suffered from insufficient follow through from the countries in the region and that country-by-country work had tended to yield more progress. The GTZ representatives outlined their priority trade-related initiatives which address: 1) administrative barriers to trade (such as by streamlining customs procedures through the single window customs approach), and 2) technical barriers such as manufacturing standards and SPS. He cautioned, however, that it was important to be aware that the European Union and the United States take different approaches to these issues.

Government Sounds Optimistic

16. (SBU) MFA International Economic Cooperation Department Counselor Aziz Kurumbaev welcomed Lilienfeld's visit, and encouraged him to identify bilateral means to invigorate TIFA. Kurumbaev reviewed the Kyrgyz Republic's priorities,

including regional water issues as well as the benefits accruing to the Kyrgyz Republic as an avenue for transit and reexport of goods through the Kyrgyz Republic. Deputy Minister of Economic Development and Trade Kurmanbek Ukulov lamented the overly "formal" work of TIFA, and noted the lack of an agreed action plan following the 2008 Dushanbe TIFA meeting. That said, he pledged to support senior Kyrgyz participation in the anticipated September Washington TIFA gathering. In addition, Ukulov said he wanted to explore ways to contribute to the development of the SME sector in the Kyrgyz Republic -- and to that end he said the Ministry would provide proposals identifying priority sectors that could benefit from match-making.

¶17. (SBU) Ukulov also noted that Kyrgyz companies could be sources for goods needed in Afghanistan. Emboff reminded Ukulov of the February Defense Logistics Agency (DLA) visit to Bishkek to identify suppliers for products for Afghanistan, and the Ministry's refusal to meet with the DLA team. Ukulov promised to send the Embassy a list of suitable, capable Kyrgyz suppliers of goods to Afghanistan. (Comment: As of May 12, the Ministry still has not been able to provide Embassy with the promised list. End Comment.)

Comment

¶18. (SBU) Lilienfeld's interlocutors seemed keen to develop a more fruitful mechanism for engaging the United States on trade and investment issues and for expanding U.S. trade and

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investment with and in the Kyrgyz Republic. To that end, they seemed to welcome any efforts, whether through invigoration of the TIFA process and/or a new emphasis on bilateral engagement. Lilienfeld's visit offered the Kyrgyz the opportunity to be responsive to the U.S. examination of new approaches by better articulating the Kyrgyz Republic's priorities, areas of interest for trade and investment, and readiness to improve conditions for such activity.

¶19. (U) DAUSTR Lilienfeld cleared this cable.
GFOELLER